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FROM THE AMERICAN PEOPLE

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Summer hit Mongolia big time in June, with moderate (and even hot) temperatures and lots of sunshine. The tourist season was in full swing by the end of the month. People from all over Asia, western Europe and North America were here, crowding the restaurants and making plans to visit the Gobi, or Hovsgol, or the high Altai. Unfortunately, with domestic air service severely limited, many tourists have had to plan to travel to their destination both ways by car.

Political Update

Former Prime Minister and Speaker of Parliament N. Enkhbayar was sworn in as the third President of Mongolia on June 24. President Enkhbayar won the May 22 presidential election on the first round of balloting, taking just over 53% of the vote. Parliament confirmed the result on June 3. At the national party congress for the Mongolian People's Revolutionary Party (MPRP, the reformed Communists) that began June 16, President-elect Enkhbayar gave up his position as party chairman before taking the oath of office as president. He was replaced as MPRP Chairman by Ulaanbaatar Mayor Enkhbold, who is not viewed as a leading proponent of reform. Former President Bagabandi rejoined the MPRP after leaving office; whether and when he will attempt to play a leadership role in the party remains to be seen.

On the other side of the political fence, Prime Minister Elbegdorj (Democratic Party) is considering running for the Ulaanbaatar-area parliamentary seat vacated by President Enkhbayar. If he does, there is considerable speculation that his MPRP opponent could be newly-installed party chairman Enkhbold. This by-election, which is to take place in late August, could become a major clash of political heavyweights. Parties are due to nominate candidates in the by-election by the end of July.

USAID News

June was a busy month at USAID. An anti-corruption assessment was carried out with AID/Washington and contract support. Dr. Jayne Belnap, from the US Geological Survey, was in town and went with Ambassador Slutz to the Gobi to look at sediment mobilization. Most of our staff was also in town, and detailed planning began on a long trip to northwestern Mongolia scheduled for early July (more on that next month).

PART I: USAID PROGRAM NEWS

STRATEGIC OBJECTIVE 1: PRIVATE SECTOR-LED ECONOMIC GROWTH

Economic Policy Reform and Competitiveness Project (EPRC)

Chemonics

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Economic, Financial, and Trade Policy Support

Tax reform

Tax reform communications strategy. With EPRC assistance, the Ministry of Finance (MoF) and the General Department on National Taxation (GDNT) began a tax education and information program for the general public and members of the press. Two newspaper briefs, one on the objectives of the tax reform and another on the current personal income tax, were published in four newspapers in June. EPRC also helped the MoF and GDNT with the first workshop for journalists on taxation. In line with the tax reform communications strategy developed early in 2005 by EPRC, the program is designed to educate the public and lay the groundwork for promoting reform.

Tax information website. With the assistance of Dr Miles Light, EPRC developed a tax information website that contains all reports and data-sheets developed by the project on this subject. The site is for government decision-makers involved in the tax reform process—selected Members of Parliament, officials of relevant ministries, and the GDNT. In addition to presenting basic facts and figures on different taxes and revenues, the website can support commentary and discussions by participants. This will assist Parliament members in gaining access to the basic facts concerning tax collections, sources, and expenditures. EPRC held a series of meetings with MPs and officials instrumental in the tax reform process to distribute basic facts and figures, discuss the tax-reform process in Mongolia, and introduce the website.

Mining Policy

At the request of the Ministry of Industry and Trade (MoIT), EPRC hired international mining expert Mr William Arnold to meet with and conduct a workshop for high-level government officials. Mr Arnold, on his second visit to Mongolia, also made a public presentation on mining policy instruments.

Local Capacity Building

On 15 June, EPRC and the National Statistical Office (NSO) conducted a workshop for high-level government officials to present the first social accounts matrix (SAM) for Mongolia. The SAM represents the first consolidation of this kind of national data and statistics, and will serve as the basis for future scenarios run through the Computable General Equilibrium (CGE) model developed by EPRC to assess the potential economic impact of tax policy measures.

Cluster and Business Development Support

Tourism

Tourist Information Center. The Tourist Information Center in the Central Post Office received over 2,000 visitors in June, 70% of whom were foreign. A recent customer satisfaction survey praised the services offered by the TIC, but suggested that the external signage be improved. Negotiations with the Post Office and building owners to allow additional signage are underway.

Assistance to Hentii Aimag. A business development team visited Hentii *aimag* to advise the local administration on preparations for the 800th anniversary of the proclamation of Temujin

as Chinggis Khan, and the establishment of the Mongol state. EPRC will help Hentii develop and promote a 'Chinggis Trail' to include his birthplace, coronation site, and other historical sites.

Project to work with Peace Corps. EPRC will work with Peace Corps volunteers (PCVs) in two *aimags*, Hentii and Ovorhangai, to develop *aimag* websites. The PCVs will tour the *aimags*, collecting detailed travel information prior to construction of the sites and incorporation of the information into a proposed Mongolia tourism portal. If successful, EPRC hopes to continue the collaboration with Peace Corps in other *aimags* in 2006.

Natural Fibers

Two cashmere-related applications for assistance from the project-sponsored Business Development Fund (BDF) were approved in June. One was for Eermel Cashmere for design and marketing of a new range of woven products; the other was for Altai Cashmere for design and marketing of a new spring and summer collection.

Meat and Leather

The project approved Darkhan Nekhi's application for BDF assistance to help that company introduce new technologies to improve tanning and sewing processes. The project also approved an application from the Mongolian Meat Association for assistance from the project's Mongolian Competitiveness Fund (MCF) to help that association carry out a trade mission to Beijing in July. This initiative was prompted by recent protocols signed with China on the export of Mongolian meat products, and agreement to allow the importation of horse meat.

Finance

SME Financing

In co-operation with several commercial banks, donors and government agencies, EPRC began an assessment of demand for loans by small and medium enterprises (SMEs) that cannot be satisfied under current lending conditions. Concurrently, EPRC will assess SME demand for quasi-equity investments, as recommended in the private equity fund feasibility analysis prepared by the project in May 2005.

Credit Bureau and Lien Registry

EPRC has begun discussions with a leading commercial bank to explore potential collaboration with a number of financial institutions to establish an industry-led, reliable, and sustainable credit information bureau and lien registry for moveable property.

Energy Sector Support

Privatization of UB Power Plant #2

Given the recent failure of the GOM's effort to privatize this plant without EPRC assistance (no bids were received), EPRC is now preparing a proposal for the State Property Committee (SPC) and the Ministry of Fuel and Energy to combine UB Power Plants #2 and #3 as one company and privatize them together. This new company would provide price competition to Power Plant #4—currently the low-cost producer providing 70% of the Central Energy System electricity and the lion's share of Ulaanbaatar's centrally-supplied heat.

Training of Mongolian Accountants

In response to a request by the Institute and the Ministry of Finance, Larry Jensen, the project's Accounting, Auditing and Tax Advisor, served as a guest instructor at the Mongolian Institute of Certified Public Accountants. Mr. Jensen provided two evenings of instruction on international accounting and financial reporting standards.

Local Staff Development

During June, senior Mongolian Energy staffer Amga Nordov attended the 18th International Training Program on Utility Regulation and Strategy conducted by the World Bank and the

National Energy Regulatory Commission (NERC) in Gainesville, Florida. Amga also had the opportunity to visit Chemonics headquarters in Washington, and give a well-attended and well-received presentation on the Mongolian energy sector and EPRC's policy and reform implementation program.

Accounting Specialist Mugii Dambiinyam, and Zaya Lkhagvasuren, Mongolia's first Regulatory Auditor and an employee of the Energy Regulatory Authority (ERA) now working as an intern at EPRC, sat for and passed their Mongolian Certified Public Accounting Boards. Mugii, having studied accounting in the United States, had the third highest cumulative score of the group. Only 15 out of 284 participants passed all four exams on the first try. Zaya is also pursuing her Master's degree in accounting and expects to graduate next May. We are proud of their achievements.

Public Education/National Dialogue Support

Open Government Website

Continuing the *Open Government* website program of on-line chats between citizens, Ministers and public officials, Puntsag Tsagaan—the Minister of Education, Culture and Science—participated in an on-line chat on 24 June.

The Gobi Initiative Phase II

Mercy Corps International and PACT

Mid-Year Planning

The Gobi Initiative (GI) and the Rural Agribusiness Support Program (RASP) held a joint mid-year planning meeting in June. A total of 58 staff from the *aimags* and UB programs participated. The meeting provided an opportunity to review the first six months of 2005 and the lessons learned, and to plan program activities for the second half of the year.

Client Sales

During the first six months of 2005, total sales generated by all GI clients reached about \$345,600. A total of 119 program clients have applied for commercial loans totaling about \$241,000 to finance their business plans. There are still no delinquencies or defaults, and 51 clients have repaid their loans in full since the start of 2004.

Collaboration with Ivanhoe Mines

Ivanhoe Mines provided sponsorship of about \$835 to the Gobi Initiative Office in Umnugovi *Aimag* to support the annual market trade fair "Gobi Festival". The festival will be held September 2-3. The trade fair will provide GI clients and other businesses throughout the *aimag* with the opportunity to promote and sell their products. All six GI offices will be organizing trade fairs in September and October when herder clients will have most of their products ready for sale.

New TV Series

Rural Business News (RBN) has commenced production of a new 26-part educational TV series. Called "Endless Labyrinth", the series will increase awareness of business problem-solving and teach methods of operating small businesses in a market economy. The series will also touch on issues such as democracy and governance, and corrupt business activity. The series will begin broadcast in August.

Business Forum

The GI Umnugovi office participated in a business forum organized by 'Women for Social Progress' in June. A total of 120 people participated, including local government officials, local NGOs, and business people. The forum provided an opportunity to discuss the business environment in Umnugovi, and government policies towards establishing and running business.

Participants were critical of the business environment, citing red tape, corruption, and the poor technical capacity of government officials in their understanding of the relevant laws when dealing with businesses.

The GER Initiative

CHF International

June was a good month for the GER Initiative. Some 34 businesses were improved and expanded, 15 new startups were created, 151 people were matched to jobs, and 54 new job placements were generated.

Training

GER had 350 participants in business training in June. Special training focused on butchers, swine operations, accounting, business start-ups, and stove producers.

Consulting

Some 446 GER clients participated in consulting services this month; 42% of them are ongoing clients and the balance are new clients. Special consultancies focused on textile design, and handicraft design and marketing.

Financial Services

GER helped facilitate 154 loans in June, worth \$130,672. This was down about 30% from May, as expected due to seasonal patterns. A total of 34 Capital Augmentation Fund loans were also made in June, worth about \$25,800; banking partners contributed about \$10,800 toward these loans.

Employment Matching

GER had 251 clients participate in employment training, and 23 participate in vocational training, in June. Erdenet BDC started collaborating with large employers to conduct interviews with candidates at the GER branch office, which has resulted in several positive placements. Employers are contracting candidates with minimum 6-month employment agreements, and in June these interviews resulted in 16 placements. As a result of a one-day Employment Fair in the Yarmag area of western Ulaanbaatar, a total of 26 people were matched to jobs.

Business Association Support

GER is currently working with 98 active business associations in the four project areas. In June, Erdenet business groups participated in a trade fair in collaboration with the Erdenet Chamber of Commerce. In Darkhan, a sewing group received orders for 3000 pairs of gloves from a concrete factory and an order of 200 pairs of gloves per month from a local brick factory. In response to the failed business groups that GER has been working with, the project is designing training materials to try to help them democratically solve their organizational problems.

Information and Linkages

Some 362 GER clients accessed information services last month. The project linked a Malaysian distributor of bakery products with GER clients; a yak rope group with an Erdenet mining company; and an Erdenet carpet company with small-scale carpet makers. GER clients continued to provide pork to Boroo mines, and participated in a "Friendship-2005" fair in Erdenet sponsored by the Chamber of Commerce and Industry and the *aimag* governor's office.

Other /Staff Training

Community days were successfully organized by the project in all five branches in June. The events were well attended and received a lot of television coverage. They also resulted in an increase number of clients at the branches.

USAID representative Skip Waskin visited the GER branch and clients in Choibalsan in June. There was also a visit from Mrs. Rachel Blum, Director of CHF's Cooperative Development Project. GER Business Advisors contributed to training Peace Corps volunteers, and a volunteer consultancy was completed by Ms. Bonnie Conefrey in which she developed a database and the procedures, manual and training for implementation of the next GER *khaashaa* valuation survey.

Eastern Steppe Living Landscape Project

Wildlife Conservation Society

The Wildlife Conservation Society (WCS) spent much of June getting the field season up and running, and passing the baton of the Country Program directorship from Peter Zahler to newly named Director Dr. Amanda Fine. Dr. Fine, a veterinarian, is currently completing a PhD in epidemiology at Michigan State University (MSU). She speaks Mongolian, and spent three years working and living in Mongolia from 1998-2001. We are confident that she will be able to ensure a seamless transition in moving conservation and management of Mongolia's natural resource base forward.

Livestock, Wildlife and Human Health Workshop

WCS and USAID held an international workshop on *The Livestock, Wildlife, and Human Health Interface in Mongolia* on June 22-23. This partnership between WCS, Michigan State University and the American Center for Mongolian Studies (ACMS) will use a centrally funded planning grant to present the concept of ecosystem health to Mongolian counterparts, and to develop an integrated and multidisciplinary approach to the study of the interface between livestock, wildlife, and human health in Mongolia. Over sixty individuals from across the sectors of veterinary medicine, human health, and wildlife biology participated in the workshop. Outputs included agreements on major disease threats; research questions that need to be investigated to ensure proper management of these diseases; capacity needs across the sectors; and recommendations on how to move forward, including the creation of an ecosystem health working group and a list-serve to better communicate issues and ideas across the varied sectors involved in these subjects.

Siberian Marmot Study

In collaboration with the National University of Mongolia, the project began a survey of Siberian marmots on the Eastern Steppe. Recent declines in marmot numbers have forced the Mongolian government to restrict marmot hunting. The main objectives of this study are to survey marmot colonies and to develop an understanding of marmot distribution and density so that the species can be better managed. The survey should be completed in mid-July; results will be presented to relevant Mongolian agencies, and presented at an international marmot conference in Uzbekistan in August.

Gazelle Population Census

WCS gazelle biologist Kirk Olson completed a series of driving transects of the Eastern Steppe to better develop an accurate assessment of Mongolia gazelle numbers. Previous contradictory information on the population size of Mongolian gazelle has forced managers and conservation organizations to base their efforts on partial information or rough guesses, which have often resulted in inappropriate management recommendations. Mr. Olson also toured the Eastern Steppe with USAID representative Skip Waskin.

Protected Areas Assessment

The report *An Assessment of the Protected Areas of the Eastern Steppe of Mongolia* is complete and is currently being distributed. Upcoming reports include the Important Bird Area Report, Przewalski's Horse Reintroduction Assessment, Mongolian Gazelle Management and Action Plan, and the Nomrog Ungulate Survey.

STRATEGIC OBJECTIVE 2: MORE EFFECTIVE AND ACCOUNTABLE GOVERNANCE

Judicial Reform Project (JRP) *National Center for State Courts (NCSC)*

Court Automation

Six of eight generators were delivered to courts in the more isolated parts of Mongolia that are without regular sources of electricity.

Special Investigative Unit

JRP translated sections of the New York State Manual for Police. These sections will be used by the Special Investigative Unit to improve SIU procedures. Free copies of the book were also presented to the General Police Department and the Office of the Prosecutor General.

Management Assessment

The General Prosecutors Office (GPO) concluded its management assessment with the Assistance of JRP Director Heike Gramckow, who will advise the GPO on how to follow up the assessment with polices and procedures to improve management and operation of the office.

Media/Outreach

JRP financed a short television program that tells law school graduates and others about the Lawyer Qualification Exam. The show goes through exam procedures so that test takers will be familiar with the process and the examination will be as transparent as possible. The exam will take place July 22–24. The oral portion of the exam will be limited to *pro forma* questions, and an essay exam has been added pursuant to the conclusions of the working group that attended the recent Lawyer Qualification Exam study tour.

Training

JRP conducted training on criminal law, the new domestic violence law, legal ethics, and the use of Power Point in training. The sessions were mentioned on UB Radio and Eagle TV. JRP also planned and organized the second regional training on management, held 8-11 June in the Hentii *aimag* court. This session provided in-depth training on court management to rural judicial employees to improve court efficiency and effectiveness.

Political Parties and Parliamentary Support Project *International Republican Institute (IRI)*

Legislative Support

IRI worked with key MPs on submission of parliamentary ethics legislation to the Speaker of the State Great Hural (submitted 23 June), and also worked with key MPs on passage of the draft committee rules law by the SGH State Structure Committee.

Parliamentary Exchange Program

IRI met in June with seven selected MPs who will attend the IRG MP exchange program in Washington, DC in September.

Election Support

Also in June, IRI finalized and presented its official election report to the Chairman Yadamsuren of the General Election Commission, and began preparatory work for the August SGH bi-election in constituency #65.

Training, Advocacy and Networking (TAN) Project

Mercy Corps International

Capacity Building

TAN conducted proposal-writing training for civil society organizations in June. Participants developed six project proposals, focused on increasing citizens' participation, improving local service organization service provision, and health issues.

CSO Networking

On June 26th, the Dundgovi CSO network successfully launched the first in series of project activities aimed at increasing civic participation. Over 500 people attended the Network's inaugural event—designed to raise awareness about local services—and local civil society organizations, government and businesses provided information about their organizations. Members of over 20 local NGOs, business and governmental organizations volunteered to organize the event, turning their offices into centers for community activity. The Network also completed a survey in over 40% of the central *baghs* to assess the civic participation patterns of low-income families, and presented the findings to local government officials.

Research

TAN CSOs completed research in Uvurkhangaï *aimag* that represents the most comprehensive research on attitudes towards civic participation in the *aimag* to date. This research provides CSOs a solid ground for discussion of governance and policy issues affecting civic participation.

Technical Assistance

As a result of the TAN-supported joint service planning initiative completed in May, tender announcements were issued by the Uvurhungai Department of Social Welfare and Labor. The tender announcements mark the first time CSOs will bid on the provision of public services in Uvurhangai, paving the way for effective collaboration between government and CSOs in other *aimags*.

PART II: COUNTRY NEWS

Kentucky Colonels Visit Mongolia

The Kentucky Colonels of the American Basketball Association, a US professional basketball team coached by former NBA star Tree Rollins, visited Mongolia in June and played three exhibition games. The Colonels won all three, but were surprised to find what they thought was a ringer on the Mongolian team—Ts. Sharavjamts, a former player with the Harlem Globetrotters, who helped even things up a bit.

Extreme Sports

The Mongolian landscape is perfect for extreme sports, and according to the UB Post two big ones will be taking place here this summer. They include the 2005 Mongol Rally, “a race between London and Ulaanbaatar designed for small cars, heavy terrain and big imaginations”. (Canadian adventurer Perry Stone plans to do the course by mountain bike, arriving in UB at the same time as the cars.) The second event is the second annual Sunrise-to-Sunset ultra-marathon of 100km on the shores of Lake Khovsgol, billed as “one of the toughest courses in the world.” The winner last year won it in eleven hours and nineteen minutes.

Yak Polo and Extreme Diving

While we're on the subject, the Mongolian Association of Yak Polo held its first tournament at the Children's Park in UB in June; they plan to hold additional contests around the country over the rest of the summer. Mongolia has the second largest yak population in the world (450,000) after China. This new sport is said to be the fifth form of polo, after horse, elephant, bicycle and camel polo. (Nothing was said about water polo.) Meanwhile, a Beijing-based SCUBA company announced in June that it would begin full-scale organized diving trips to Lake Khovsgol—which is *not* ice-covered only a few months out of the year.

Mongolian Shooter Qualifies for Olympics

Mongolian shooter Gundelmaa became the first Mongolian athlete to qualify for the 2006 Olympics, winning the women's 25-meter pistol contest in June. This will be her fourth Olympic Games qualification.

Mongolian Barbecue

The first Mongolian "barbecue" restaurant—a US chain operation—recently opened in UB. The concept of Mongolian barbecue is new to Mongolia, but the concept of grilled meat is not. Judging from the crowds there, it looks like it will be a big hit.

That's it.